As of the end of 2016, 24,650 U.S. organic farms and processing facilities were certified to USDA organic regulations.

Source: USDA
Since the USDA started collecting data in 2002, the number of domestic organic operations has increased by more than 300%.

Source: USDA
Organic grains and oilseeds are considered *identity preserved* (IP) products.

IP products = specialty, high value, premium or niche grains and oilseeds.
Are These Names Familiar?

General Mills - (Small Planet Foods)
- Pepsi
- Coke
- Cargill
- Bunge

The Organic Industry on the Buy Side is Beginning to Look Like Conventional

Some familiar names:
- Costco-$13 B
- Walmart-$13 B
- Whole Foods-$13B
Organic is the Future of American Agriculture

- Errol Schweitzer, Executive Global Grocery Coordinator at Whole Foods Market
- Whole Foods is a multi-billion dollar industry leading retailer with 400 stores
- Consumers are demanding:
  - More information about a product’s ingredient list
  - Accentuate what’s not in the product as much as what is.
  - Prove our commitment to product safety by enforcing and publicizing strict internal standards

From 2010 to 2014
Sale of Non-GMO Products Increased

Over 400%
Conventional food – 2.5%

Mr. Schweitzer concluded “Organic is the future of agriculture, and there is no other trend.”
India Organic Food Market to Grow at Over 25% Through 2020

Source: TechSci Research

Costco

What are the challenges in sourcing quality organic items?

“The biggest thing is making sure we have a constant, consistent supply...” (Jan. 2016)
The Organic Grain Market is Unique

- To date there is no futures market
- USDA publishes some grain prices but only every two weeks at best
- Finding buyers and knowing what price to ask is a big challenge for anyone who has been in organic farming for any length of time, much less someone just starting.

Growers tell their story

I had 13 semi-loads of grain leave the yard within a week. If I was standing alone, I would have been a nervous wreck. But I knew the deal was solid, because NFOrganics made sure of it.

—Charlie Johnson, NFOrganics Producer
• Carmen Fernholz states that you can figure 15-20% of your time each week on marketing if you do it yourself.

• Rarely is anything done in organic marketing without some type of contract.

• Farmers’ Guide to Organic Contracts by FLAG-Seven Rules of Contracting.

• Rule #1- The contract almost always favors the party who wrote it!!!

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**Broker vs. Marketing Agent**

• A broker is a professional middleman who purchases products at the lowest possible price.

• A marketer is an agent for a producer with their best interest in mind.

• If a professional athlete or actor employs an agent, why shouldn’t you?
Marketing Considerations

- Have a market before you grow it
- Nearby markets – farms, mills, etc.
- Contracts
- Credit worthiness
- Logistics
- Collections/payments

Mistakes in Marketing

- Believing that marketing costs nothing or someone will do it for you for nothing
- Not negotiating for your costs
- Delivery across state lines can become an issue
- GMO Testing
- Handling and storage
- Grain specifications
- Representative samples
Hiring an Agent

Considerations:

1. Do you have something you can contract to sell?
2. What volume do you have?
3. How can you protect yourself if something goes wrong?
4. Getting you paid as rapidly as possible

What Does It Cost?

5 ½ to 6 ½ percent of gross sales

***Remember***

If you are writing the check, the agent works for you.

If someone tells you there is no cost, I’d walk away from it.
“Farmers who do have a marketer seem to access the markets more fluidly. Those who don’t “seem to be less aware of the marketing opportunities out there.” Also, “they may not know what the markets are for their rotation crops. And I think that is where a marketer might really come in handy.”

- Nate Lewis, Organic Trade Association

Source: Agripulse.com  February, 2016

Price History

2008 — Great Prices
2009 — To Death Valley Prices
2010 — 10% quit, Recovery begins
2011 — Great Prices
2012 — Organic Eggs Lead Demand
2013/2014 — Strong Prices/Demand Continues
2015-2017 — Influence of Imported Grains
USDA National Organic Grain and Feedstuffs Report

Organic Markets: Corn Prices

Source: Center for Farm Financial Management’s FINBIN database, cffm.umn.edu/products/FINBIN.aspx
Organic Markets: Soybean Prices

![Graph showing soybean prices from 2011 to 2016 for conventional and organic soybeans.]

Source: Center for Farm Financial Management’s FINBIN database, cffm.umn.edu/products/FINBIN.aspx

Organic Markets: Profitability

<table>
<thead>
<tr>
<th>MN FARMS: CORN ENTERPRISE AVERAGES</th>
<th>2011-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conventional</td>
</tr>
<tr>
<td>Number of acres per farm</td>
<td>395</td>
</tr>
<tr>
<td>Yield (bu/acre)</td>
<td>165</td>
</tr>
<tr>
<td>Price ($/bu)</td>
<td>4.51</td>
</tr>
<tr>
<td>Gross return per acre</td>
<td>744.15</td>
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<tr>
<td>Direct &amp; overhead expenses per acre</td>
<td>670.07</td>
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<tr>
<td>Net return per acre</td>
<td>74.08</td>
</tr>
<tr>
<td>Net return for corn enterprise</td>
<td>$29,262</td>
</tr>
</tbody>
</table>

Source: Center for Farm Financial Management’s FINBIN database, cffm.umn.edu/products/FINBIN.aspx
Marketing Organic Crops: Buyers

Visit Organic Trade Shows:
- Iowa Organic Conference (IA)
- Illinois Specialty Crops, Agritourism and Organic Conference and Trade Show (IL)
- Minnesota Organic Conference (MN)
- Northern Plains Sustainable Ag Society Annual Conference (SD)
- MOSES Organic Farming Conference (WI)
- Ohio Ecological Food and Farm Association Conference (OH)

Organic Challenges: Limited Infrastructure

- Handling facilities
- Processing capacity
- Off-farm storage at grain elevators
Marketing Organic Crops: Buyers

- Farmer-Owned Cooperatives (e.g., Organic Valley and OFARM)
- Grain companies/elevators
- Feed mills
- Feed lots
- Processors
- Brokers

Currently many producers in the face of collapsing conventional commodity prices are considering transition to organic.

- How do we orderly transition them so they don't put themselves and everyone who is already organic at risk of collapsing organic prices?
- How to get consumers to conscientiously buy more organic food made from U.S. organic grains.
- 75% of global respondents cite country of origin as the most important criteria to buying organic products.
Strategies to Help You

- Delivery times and schedule negotiations
- National inventory and harvest estimates
- Financial background checks on potential buyers
- Handle your logistic needs

You'll Profit More

- Better prices, better contract terms
- Price monitoring and market intelligence
- Contract monitoring for timely payment
Thank You!